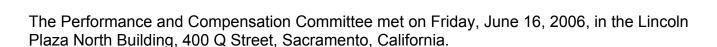


CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION

PERFORMANCE & COMPENSATION COMMITTEE OPEN SESSION

MINUTES OF MEETING

June 16, 2006



The meeting was called to order at 11:49 a.m. and the following members were present:

Priya Mathur, Chair Tony Oliveira, Vice Chair James Zerio and Rosalind Brewer representing Philip Angelides Robert Carlson Debbie Endsley representing Michael Navarro Kurato Shimada Charles Valdes

Other Board Members Present
Karen Green Ross representing Steve Westly

AGENDA ITEM 2 – APPROVAL OF THE MAY 12, 2006 PERFORMANCE AND COMPENSATION COMMITTEE MEETING MINUTES

The minutes were approved as presented.

AGENDA ITEM 3 – THIRD QUARTER STATUS REPORT ON PERFORMANCE PLAN OF THE CHIEF EXECUTIVE OFFICER

Chris O'Brien, Human Resources Division Chief, presented the third quarter status report on the performance plan of the Chief Executive Officer.

On **MOTION** by Mr. Carlson, **SECONDED** and **CARRIED** the Committee approved the third quarter status report on the performance plan of the Chief Executive Officer.

AGENDA ITEM 4 – 2006-2007 PERFORMANCE PLANS FOR THE CHIEF EXECUTIVE OFFICER, CHIEF ACTUARY, CHIEF INVESTMENT OFFICER AND HIS DIRECT REPORTING STAFF (SENIOR INVESTMENT OFFICERS) (FIRST READING)

Ms. O'Brien presented the performance plans for the newly-appointed Chief Investment Officer and for the Senior Investment Officers for first reading. Ms. O'Brien reported changes that have been made to the 2006-2007 performance plans of the investment management staff to increase the weight of the Total Fund performance measure and to add a qualitative measure relative to "leadership." In response to the Committee's questions, Russell Read, the new Chief Investment Officer, explained his rationale for these changes in the plans. It is anticipated that further changes may be made, and that the Board's investment consultant will be reviewing the performance plans before the second reading in August.

The first reading of the 2006-2007 performance plans of the Chief Executive Officer and Chief Actuary was deferred until the August meeting to allow adequate time for them to align their plans with senior managers who were still finalizing their objectives for the coming year.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the first reading of the performance plans of the Chief Investment Officer and Senior Investment Officers of Alternative Investments, Asset Allocation/Risk Management, Fixed Income, and Global Equities.

AGENDA ITEM 5 – 2006-2007 PERFORMANCE PLANS FOR THE SENIOR PORTFOLIO MANAGERS AND PORTFOLIO MANAGERS (FIRST READING)

Ms. O'Brien presented the 2006-2007 performance plans of the Senior Portfolio Managers and Portfolio Managers for first reading.

On **MOTION** by Ms. Endsley, **SECONDED** and **CARRIED** the Committee approved the first reading of the Performance Plans for the Senior Portfolio Managers and Portfolio Managers.

AGENDA ITEM 6 - HUMAN RESOURCES DIVISION REPORT

There was no report at this time.

AGENDA ITEM 7 - PROPOSED AUGUST 2006 AGENDA

The proposed agenda was approved.

AGENDA ITEM 8 - PUBLIC COMMENT

There was no public comment.

The meeting was adjourned at 12:23 p.m.

The next Performance and Compensation Committee meeting will be held on Friday, August 11, 2006 in Sacramento, California.